

THE FUNDAMENTALS OF CREDIT

WHAT IS CREDIT AND HOW IT IS USED

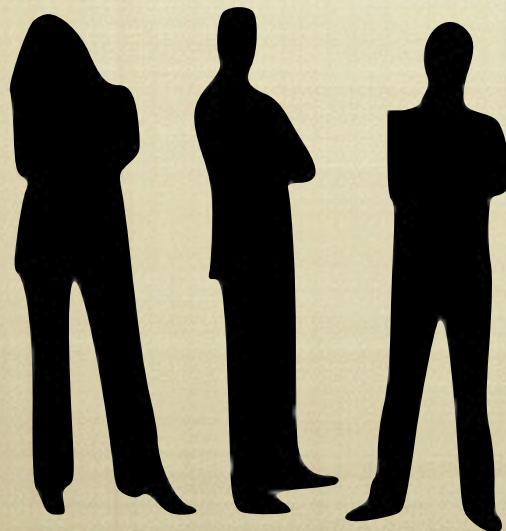


WHAT IS CREDIT?

THE PRIVILEGE OF USING SOMEONE ELSE'S MONEY
FOR A PERIOD OF TIME WITH A PROMISE TO REPAY.

DEBTOR

THE ONE WHO BUYS ON
CREDIT OR RECEIVES A
LOAN.



CREDITOR

THE ONE WHO SELLS ON
CREDIT OR MAKES A
LOAN.



TRUST

THE CREDITOR BELIEVES THAT
THE DEBTOR WILL HONOR THE
PROMISE TO PAY LATER FOR THE
GOODS AND SERVICES USED

TYPES OF CREDIT

LOAN CREDIT

BANKS, CREDIT UNIONS, AND
CONSUMER FINANCE COMPANIES

SALES CREDIT

RETAILERS AND WHOLESALERS

TRADE CREDIT

USED BY BUSINESSES TO PAY FOR
PRODUCTS AND SERVICES AT A LATER
DATE

USERS OF CREDIT

INDIVIDUALS

BUSINESSES

GOVERNMENTS



THE 3 C'S OF CREDIT

CHARACTER

HONESTY AND
REPUTATION AS A
BORROWER

- WILLINGNESS TO
REPAY YOUR BILLS
ON TIME

CAPACITY

YOUR ABILITY TO
REPAY:

- YOUR INCOME
- CURRENT DEBTS
- EMPLOYMENT

CAPITAL

THE VALUE OF YOUR
POSSESSIONS.

- MONEY YOU
POSSESS AND
PROPERTY YOU OWN.

GRANTING CREDIT

CREDIT INFORMATION

CREDITORS CONSIDERING DEBTORS

LOOK INTO YOUR FINANCIAL SITUATION

CREDIT REFERENCES

ARE BUSINESSES OR INDIVIDUALS FROM
WHO YOU HAVE RECEIVED CREDIT IN THE
PAST OR CAN HELP VERIFY YOUR CREDIT
RECORD.

BENEFITS OF CREDIT

- **CONVENIENCE**

- **IMMEDIATE POSSESSION**

- **SAVINGS**

- **CREDIT RATING**

- **EMERGENCIES**

PRECAUTIONS OF CREDIT

- **OVERBUYING**
- **CARELESS BUYING**
- **HIGHER PRICES**
- **OVERUSE OF CREDIT**
- **POOR CREDIT RATING**